Section Four

Royalty Production and Revenue



Introduction

The state of Alaska receives a royalty of approximately 12.5 percent of the oil and gas produced from its leases. The state may take its share of oil production "in-kind" or "in-value." When the state takes its royalty share in-kind (RIK), it assumes possession of the oil or gas. The commissioner of Natural Resources may sell the RIK oil or gas in a competitive auction or through a noncompetitive sale negotiated with a single buyer. When the state takes its royalty in-value (RIV), the state's lessees who produce the oil or gas market the state's share along with their own share of production. The lessees remit cash payments on a monthly basis for the state's RIV share.

Over the last 30 years the state has taken about one-half of its royalty oil as RIK.¹ The state has sold nearly 800 million barrels of RIK oil during this time, most of it in-state. These in-state sales provided an important stimulus to Alaska's refining industry by providing long-term supplies of oil to each of the state's four refineries. Over the years, state RIK sales fueled many controversies and policy debates over the appropriate use of the state's natural resources.

Cook Inlet

In 1969 the commissioner of Natural Resources negotiated a sale of 100 percent of the state's royalty from Cook Inlet to the Alaska Oil and Refining Company. Within months of signing the contract, Alaska Oil and Refining Company merged with the Tesoro Petroleum Company. Tesoro subsequently built a new refinery in Nikiski on the Kenai Peninsula next to Chevron's refinery, built in 1964. Between 1969 and 1985 the state sold all of its Cook Inlet royalty oil to the Tesoro refinery. By 1980, the production decline in Cook Inlet prompted Tesoro to negotiate the first of several sales contracts with the state for supplies of RIK oil from the North Slope. By the end of 1985 Tesoro had replaced its Cook Inlet RIK volumes with supplies of RIK from the North Slope.

In 1987 the state began to export Cook Inlet RIK oil to the Chinese Petroleum Company. These volumes were produced from fields on the west side of the Cook Inlet after the federal government exempted Cook Inlet production from export administration regulations. The state sold 97 percent of the royalty production from the McArthur River, Trading Bay, North Trading Bay, and Granite Point fields in a series of one-year competitive auctions. In 1991 deliveries under the last Chinese Petroleum contract were halted under force majeure following the December 1989 eruption of the Mount Redoubt volcano. There have been no Cook Inlet RIK sales since (See Table IV.8.).

¹ The state also sold 10.4 Bcf of RIK gas in a contract to Alaska Pipeline Company (Enstar) from 1977 through 1984 from Cook Inlet royalty production. In a bid to encourage development of the gas resource in Prudhoe Bay, the state entered 20-year contracts in January 1977 to supply El Paso Natural Gas Co., Tenneco Alaska Inc., and Southern Natural Gas Co. with 25 percent, 50 percent, and 25 percent, respectively, of Prudhoe Bay Unit RIK gas. The contracts terminated in May 1978 when the proposed El Paso Trans-Alaska Gas Pipeline did not receive federal certification.

North Slope

Over the past 25 years, the state has held nine RIK sales involving portions of its Alaska North Slope (ANS) royalty oil production. These sales are summarized in Table IV.7 and Figure IV.3. In 1976, the state signed a six-year contract with Golden Valley Electric Association (GVEA), the electric utility in Fairbanks, to sell approximately 3,300 barrels of ANS crude oil per day as turbine fuel. GVEA did not exercise its option to take RIK until 1981 and it traded these volumes with Mapco (now Williams Alaska) in exchange for refined fuel. The state subsequently sold RIK ANS to GVEA in two other contracts until 1992. As in the first contract, GVEA traded these volumes with Mapco.

In 1978 the state contracted with Earth Resources Company of Alaska, predecessor to Mapco Alaska and Williams Alaska Petroleum Company, to supply 15 percent of Prudhoe Bay RIK oil production less the quantity dedicated to GVEA. This 25-year contract expired in December 2003. Williams received a maximum of 35,000 barrels per day of RIK oil produced from the Prudhoe Bay Unit under this contract and supplemented this supply with new agreements for another 28,000 barrels per day.

In September 2003, the state negotiated a temporary contract with Williams for the period January 1, 2004, through March 31, 2004. The state also negotiated a new 10-year contract with Flint Hills Resources Alaska, LLC (FHR), signed by the Governor on March 9, 2004, enabling FHR to take over the Williams' North Pole refinery on March 31. Deliveries of royalty oil under the new RIK contract began April 1, 2004. The state sold approximately 62,476 barrels per day to FHR, or more than 54 percent of the total royalty oil produced on the North Slope for the period January 1 through December 31, 2005.

The contract contained special conditions which serve as additional consideration for FHR's purchase of the state's royalty oil. FHR will maintain gasoline wholesale rack price parity between Anchorage and Fairbanks. FHR will invest approximately \$100 million to install clean fuels processing equipment and facilities in the North Pole Refinery and/or elsewhere in Alaska, fulfill and enhance the previous commitments made by Williams to the Government Hill Community Council in Anchorage to address concerns about gasoline storage tanks near Government Hill and undertake additional projects to improve the Anchorage Tank Farm Facility. FHR will also continue to ship refined products to Anchorage via the Alaska Railroad, (FHR shipments represented 48 percent of the total freight loadings for the Alaska Railroad for 2005).

In Fairbanks, FHR will study the use and viability of the hydrant fueling system at the Fairbanks International airport (FIA), concentrate on promoting FIA to cargo carriers, evaluate and possibly upgrade FIA fuel distribution facilities, and charge a jet fuel customer in Fairbanks the same or lower price as FHR charges that same customer in Anchorage. FHR met all of these conditions for 2005.

Tesoro has been an important North Slope RIK customer. Tesoro negotiated and bid for several contracts that supplied it with RIK supplies from 1980 to 1998. Chevron was another big purchaser of North Slope RIK for oil supplied to its Nikiski refinery from 1980 through 1991, when it finally shut down its Nikiski refinery. In one of these contracts Chevron took RIK barrels from Tesoro in exchange. Petro Star Inc. purchased North Slope RIK from 1986 through 1991 for its new refinery at North Pole. In 1992 Petro Star negotiated a 10-year contract with the state for a supply of RIK from the Kuparuk River Unit. With this contract in hand, Petro Star was able to build the state's newest refinery in Valdez. As it happened, Petro Star elected to take no oil under this contract and the contract expired automatically nine months after it had been signed.

The state also held competitive auctions of RIK oil during the early 1980s as part of a program to routinely offer RIK short-term contracts. Winners of these sales included in-state refineries but also several refineries located outside the state. Many of these buyers were also ANS producers. About 46 million barrels of Alaska North Slope RIK crude oil were sold in these auctions but the program was interrupted after the general collapse of oil prices in the mid-1980s. In January 2000, the Division of Oil and Gas published a Notice of Interest in Sale of State Royalty Oil. The response to this notice by prospective RIK purchasers prompted the division to plan for a competitive bid auction for volumes of RIK oil produced from several North Slope fields. The sale was subsequently held in August 2000 but no bids were offered.

Royalty-in-Kind Policy

The earliest RIK sales, notably Tesoro's first Cook Inlet contract, the first GVEA contract, and the Alpetco contract, generated controversy and debate in the state. Several issues arose as the RIK program evolved. Is the state better off negotiating sales one-on-one or auctioning RIK through competitive tenders? How much public input should be encouraged? Should the state subsidize the local refining industry through price breaks? What kind of oversight should be required? The debates of these questions led to the present program as set out in statutes and regulations.

When disposing royalty oil or gas, the commissioner is bound by AS 38.05.182 and AS 38.05.183. Further, the Legislature established the Alaska Royalty Oil and Gas Development Board (Royalty Board) under AS 38.06 to oversee the department's RIK program. Regulations under Title 11, Chapters 3 and 26 govern the actual disposition of royalty and the sale of RIK. (See www.legis.state.ak.us/folhome.htm for more information).

The rules that govern the sale of RIK may be reduced to a few principles:

- Any disposition of the state's royalty must be in the state's best interest. The state should sell
 its royalty rather than take it in-value as long as the best interests of the state are served.
- The state must receive a price for its RIK that is at least as much as it receives when the state takes its royalty in-value.
- Under certain circumstances, the state may sell its oil in a negotiated sale, but competitive sales are preferred.
- Although the price of RIK must equal or exceed the price of RIV, a review of each sale must consider economic, social, and environmental effects. In this way, benefits may be attributed to the sale of RIK to local refineries that would not be generated by sales to outside purchases.
- The public is a part of the process. Depending on the terms of the sale, the commissioner will publish best interest findings and solicit comments on the sale from the public.
- The Royalty Board must be notified of any disposition of RIK. For supply contracts of more than one year, the Royalty Board must evaluate the economic, social, and environmental effects of the sale, convene a public hearing, and recommend approval of the sale to the Legislature.
- The Legislature approves long-term contracts by enacting legislation.

Table IV.1 Recent Royalty Oil Production and Revenues

North Slope, 1997-2006

	Lease Operation	Badami Unit RIV	Badami Unit RIK	TOTAL Badami Unit	Colville River Unit RIV	Colville River Unit RIK	TOTAL Colville River Unit	Duck Island Unit RIV	Duck Island Unit RIK	TOTAL Duck Island Unit	Kuparuk River Unit RIV	Kuparuk River Unit RIK	TOTAL Kuparuk River Unit
Production	(Thousand	ds of Barr	els)										
1997	-	-	-	-	-	-	-	3,324.4	-	3,324.4	10,978.3	-	10,978.3
1998	-	106.1	-	106.1	-	-	-	2,692.5	-	2,692.5	10,886.2	-	10,886.2
1999	-	179.2	-	179.2	1.3	-	1.3	2,263.3	-	2,263.3	10,822.0	-	10,822.0
2000	-	144.6	-	144.6	196.6	-	196.6	1,943.1	-	1,943.1	9,897.9	-	9,897.9
2001	-	104.0	-	104.0	2,785.5	-	2,785.5	1,696.9	-	1,696.9	9,076.4	-	9,076.4
2002	-	87.0	-	87.0	3,403.4	-	3,403.4	1,483.5	-	1,483.5	8,921.6	-	8,921.6
2003	0.6	42.1	-	42.1	3,777.1	-	3,777.1	1,535.1	-	1,535.1	8,905.8	-	8,905.8
2004	-	-	-	-	3,642.3	-	3,642.3	834.3	390.2	1,224.5	7,976.8	305.3	8,282.1
2005	2.1	22.2	-	22.2	4,262.4	-	4,262.4	51.2	1,026.3	1,077.5	4,498.6	3,138.0	7,636.6
2006	-	56.3	15.9	72.2	3,273.9	404.6	3,678.5	43.8	819.3	863.1	2,120.3	5,080.6	7,200.8
Revenues	(Thousands	of Dollar	rs)										
1997	-	-	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	\$42,866	-	\$42,866	\$150,137	-	\$150,137
1999	-	\$572	-	\$572	-	-	-	\$18,147	-	\$18,147	\$82,772	-	\$82,772
2000	-	\$1,992	-	\$1,992	\$57	-	\$57	\$26,461	-	\$26,461	\$136,802	-	\$136,802
2001	-	\$2,612	-	\$2,612	\$4,539	-	\$4,539	\$42,350	-	\$42,350	\$220,539	-	\$220,539
2002	-	\$1,051	-	\$1,051	\$47,972	-	\$47,972	\$31,796	-	\$31,796	\$160,694	-	\$160,694
2003	-	\$108	-	\$108	\$62,818	-	\$62,818	\$27,128	-	\$27,128	\$173,379	-	\$173,379
2004	\$15	\$46	-	\$46	\$89,684	-	\$89,684	\$35,753	-	\$35,753	\$211,369	-	\$211,369
2005	-	-\$0	-	-\$0	\$122,667	-	\$122,667	\$24,455	\$14,219	\$38,674	\$255,120	\$11,578	\$266,699
2006	\$85	\$876	-	\$876	\$201,866	-	\$201,866	\$6,831	\$47,365	\$54,197	\$186,238	\$159,863	\$346,101

	Milne Point Unit RIV	Milne Point Unit RIK	TOTAL Milne Point Unit	Northstar Unit RIV	Northstar Unit RIK	TOTAL Northstar Unit	Prudhoe Bay Unit RIV	Prudhoe Bay Unit RIK	TOTAL Prudhoe Bay Unit	TOTAL North Slope
Production (Th	ousands of E	Barrels)								
1997	2,657.0	-	2,657.0	-	-	-	18,399.6	26,139.6	44,539.2	61,498.8
1998	2,833.4	-	2,833.4	-	-	-	11,810.5	27,981.6	39,792.1	56,310.2
1999	2,699.2	-	2,699.2	-	-	-	15,508.5	19,070.7	34,579.2	50,544.1
2000	2,613.9	-	2,613.9	-	-	-	13,053.5	19,290.3	32,343.8	47,140.0
2001	2,687.9	-	2,687.9	212.9	-	212.9	13,643.5	15,187.0	28,830.6	45,394.3
2002	2,570.7	-	2,570.7	4,009.3	-	4,009.3	11,794.8	15,509.5	27,304.4	47,779.8
2003	2,569.7	-	2,569.7	5,236.7	-	5,236.7	5,489.2	20,630.5	26,119.8	48,186.9
2004	1,534.2	1,039.7	2,573.9	2,661.6	3,004.6	5,666.2	5,641.0	18,478.1	24,119.2	45,508.2
2005	111.5	2,088.1	2,199.7	5,065.9	-	5,065.9	5,547.1	16,545.2	22,092.3	42,358.7
2006	193.4	1,635.8	1,829.2	1,235.8	3,030.4	4,266.2	6,467.6	11,287.2	17,754.8	35,665.0
Revenues (Tho	usands of Do	ollars)								
1997	-	-	-	-	-	-	-	-	-	\$852,822
1998	\$33,777	-	\$33,777	-	-	-	\$242,341	\$383,701	\$626,042	\$416,413
1999	\$18,608	-	\$18,608	-	-	-	\$73,462	\$227,032	\$296,313	\$626,358
2000	\$31,596	-	\$31,596	-	-	-	\$170,204	\$259,246	\$429,450	\$1,064,162
2001	\$56,730	-	\$56,730	-	-	-	\$275,928	\$461,464	\$737,392	\$806,722
2002	\$47,356	-	\$47,356	\$1,584	-	\$1,584	\$236,464	\$279,804	\$516,268	\$910,151
2003	\$48,818	-	\$48,818	\$75,797	-	\$75,797	\$201,726	\$320,378	\$522,104	\$1,144,385
2004	\$61,255	-	\$61,255	123,753	-	123,753	\$114,558	\$507,952	\$622,509	\$1,511,495
2005	\$44,971	\$37,287		87,502	109,196	196,698	\$172,637	\$631,864	\$804,501	\$1,991,222
2006	\$4,786	\$94,638	\$99,424	243,095	104	243,199	\$239,535	\$805,939	\$1,045,474	\$2,046,364

Table IV.1 Recent Royalty Oil Production and Revenues

Cook Inlet & Statewide, 1997-2006

	Granite Point Field	South Granite Point Unit	North Middle Ground Shoal	Middle Ground Shoal	South Middle Ground Shoal	Trading Bay Field	Trading Bay Unit	West McArthur Unit	Redoubt Unit	Un- defined	TOTAL Cook Inlet	TOTAL STATE
Production	(Thousand	ds of Barrel	s)									
1997	303.5	-	42.0	150.6	26.8	75.1	632.4	80.6	-	-	1,311.0	62,809.8
1998	259.8	-	44.7	196.0	28.8	87.1	602.4	116.2	-	-	1,335.0	57,645.2
1999	172.4	51.0	38.2	181.9	24.6	82.7	587.2	114.3	-	-	1,252.2	51,796.3
2000	119.2	98.5	43.5	170.5	22.8	79.6	602.8	111.6	-	-	1,248.6	48,388.5
2001	109.3	92.9	39.7	194.4	19.8	72.3	671.1	152.9	-	-	1,352.4	46,746.7
2002	105.2	85.8	27.1	197.1	20.8	74.6	697.0	127.3	2.3	-	1,337.2	49,117.1
2003	98.8	80.0	11.8	177.4	-	68.7	538.6	106.1	45.5	1.0	1,127.9	49,314.8
2004	84.0	77.4	-	165.3	-	58.0	424.6	83.7	28.0	-	920.8	46,429.0
2005	75.2	67.5	-	164.7	-	51.8	340.3	64.6	15.6	-	779.7	43,138.4
2006	73.7	46.9	-	148.9	-	49.1	284.0	54.6	13.4	-	670.6	36,335.5
Revenues	(Thousands	of Dollars)									
1997	\$5,175	-	\$764	\$3,655	\$490	\$1,192	\$10,561	\$1,795	-	-	\$23,633	\$876,456
1998	\$2,813	-	\$544	\$2,244	\$346	\$853	\$5,902	\$1,107	-	-	\$13,809	\$430,222
1999	\$2,090	\$1,388	\$662	\$3,073	\$406	\$1,261	\$8,917	\$1,583	-	-	\$19,380	\$645,738
2000	\$4,201	\$3,840	\$1,491	\$4,647	\$821	\$2,632	\$17,073	\$2,790	-	-	\$37,495	\$1,101,657
2001	\$2,515	\$2,051	\$959	\$4,338	\$476	\$1,522	\$13,908	\$2,941	-	-	\$28,710	\$835,432
2002	\$2,337	\$1,850	\$619	\$5,428	\$494	\$1,609	\$14,992	\$2,680	\$54	-	\$30,062	\$940,214
2003	\$2,633	\$2,249	\$349	\$5,103	\$2	\$1,876	\$14,693	\$2,736	\$1,140	\$19	\$30,801	\$1,175,186
2004	\$3,066	\$2,764	-	\$11,544	-	\$2,021	\$14,732	\$2,807	\$900	-	\$37,835	\$1,549,330
2005	\$3,712	\$3,354	-	\$8,710	-	\$2,509	\$16,641	\$3,089	\$802	-	\$38,819	\$2,030,041
2006	\$4,287	\$2,855	-	\$9,328	-	\$2,905	\$17,020	\$3,299	\$754	-	\$40,449	\$2,086,813

Table IV.2 Recent Royalty Oil Production by Lessee

North Slope

Production (Thousands of Barrels)

	4007 4000 4000 0000 0004 0000 0000 0004 0005									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Amerada Hess	-	-	-	-	-	-	-	-	-	-
Amoco	297	237	199	119	-	-	-	-	-	-
Anadarko	-	-	\$0	43	613	749	831	801	938	720
Arco	11,120	9,522	10,729	-	-	-	-	-	-	-
Armstrong Resources	-	-	-	-	-	-	<1	<1	1	-
BPAmerica Prod Co.	-	-	-	-	-	95	165	-	-	-
BP	16,683	13,595	14,233	11,869	11,075	14,451	13,898	9,555	8,527	4,109
Chevron	99	64	91	77	81	116	66	60	59	66
CIRI	30	1	-	-	-	-	-	-	-	-
ConocoPhillips AK	-	-	-	-	-	11,225	9,250	9,145	7,912	6,269
DOYON	6	5	4	4	3	3	3	1	<1	<1
Exxon	5,571	3,563	4,815	-	-	-	-	-	-	-
ExxonMobil	-	-	-	4,596	5,287	4,284	-	-	-	-
ExxonMobil AK Prod	-	-	-	-	-	-	1,926	1,899	1,886	2,118
Forcenergy/Forest Oil	5	3	4	2	2	2	1	1	1	1
Kerr McGee	-	-	-	-	-	-	-	1	1	-
Mapco 1978 Contract	12,652	11,148	12,442	12,718	12,522	12,167	12,583	-	-	-
Mapco 1997 Contract	466	4,451	-	-	-	-	-	-	-	-
Marathon	-	-	-	-	-	-	-	-	-	-
Mobil	237	155	195	-	-	-	-	-	-	-
NANA	18	14	12	11	8	8	8	4	<1	<1
Оху	208	224	212	189	-	-	-	-	-	-
Petrofina	-	32	54	43	31	-	-	-	-	-
PetroHunt	190	113	151	10,201	12,482	-	-	-	-	<1
Phillips	-	-	-	-	-	-	-	-	-	-
Phillips Alpine Alaska	-	-	-	-	-	749	831	352	-	-
Pioneer	-	-	-	-	-	-	<1	-	-	-
Tesoro	13,022	11,498	-	-	-	-	-	-	-	-
Texaco	52	31	41	35	38	18	-	-	-	-
TotalFina ELF	-	-	-	-	-	-	-	-	-	-
Union Texas Petroleum	-	-	-	-	-	-	-	-	-	-
Unocal	842	771	732	659	587	570	576	468	227	108
Williams 98 Contract	-	884	6,628	6,572	2,665	3,342	8,056	5,582	-	-
Flint Hills	-	-	-	-	-	-	-	17,632	22,797	22,274
XTO Energy	-	-	-	-	-	-	-	2	-	-
North Slope TOTAL	61,499	56,312	50,544	47,140	45,394	47,780	48,194	45,505	42,349	35,665

Cook Inlet

Production (Thousands of Barrels)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Conoco Phillips AK	-	-	-	-	-	-	1	-	-	-
Cross Timbers/XTO	-	-	182	170	194	197	177	165	165	149
Devon	-	-	-	-	-	-	<1	-	-	-
Forcenergy/Forest Oil	377	436	425	428	495	491	436	337	264	224
Marathon	-	-	-	-	-	-	-	-	-	-
Mobil/Exxon Mobil AK Prod	110	91	76	74	70	64	60	58	51	35
Shell	151	196	-	-	-	-	-	-	-	-
Stewart	30	-	-	-	-	-	-	-	-	-
Unocal	643	612	569	576	593	585	454	360	301	263
Cook Inlet TOTAL	1,311	1,335	1,252	1,249	1,352	1,337	1,128	921	780	671

Table IV.3 Recent Royalty Oil Revenue by Lessee

North Slope

Revenues	(Thousands	of Dollars)
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[1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Amerada Hess	\$34	-	-	-	-	-	-	-	-	-
Amoco	\$3,674	\$1,556	\$2,404	\$2,562	-\$0	-	-	-	-	-
Anadarko	-	-	\$12	\$982	\$10,374	\$14,180	\$20,057	\$27,427	\$45,375	\$43,352
Arco	\$155,281	\$72,786	\$135,879	-	-	-	-	-	-	-
Armstrong Resources	-	-	-	-	-	-	\$4	-	\$26	-
BPAmerica Prod Co.	-	-	-	-	-	-	\$3,934	-	-	-
BP	\$216,022	\$85,263	\$158,955	\$249,682	\$208,250	\$267,287	\$325,241	\$301,848	\$391,141	\$318,659
Chevron	\$1,274	\$368	\$1,044	\$1,608	\$1,422	\$2,070	\$1,437	\$1,745	\$2,650	\$10,694
CIRI	\$423	\$12	-	-	-	\$160	-	-	-	-
ConocoPhillips AK	-	-	-	-	-	\$211,239	\$214,806	\$297,445	\$353,413	\$337,580
DOYON	\$83	\$41	\$39	\$82	\$54	\$44	\$64	\$40	\$4	\$125
Exxon	\$71,707	\$19,733	\$52,342	-	-	-	-	-	-	-
ExxonMobil	-	-	-	\$98,415	\$83,945	-	-	-	-	-
ExxonMobil AK Prod	-	-	-	-	-	\$69,780	\$37,737	\$54,093	\$81,549	\$130,038
Forcenergy/Forest Oil	\$63	\$17	\$43	\$50	\$38	\$37	\$18	\$29	\$43	\$19,759
Kerr McGee	-	-	-	-	-	-	-	\$22	\$60	-
Mapco 1978 Contract	\$185,000	\$90,752	\$166,427	\$304,389	\$223,123	\$247,246	\$310,960	-\$179	-	-
Mapco 1997 Contract	\$6,032	\$38,590	-\$60	\$90	\$1,075	-	-	-	-	-
Marathon	\$1	-	-	-	-	-	-	-	-	-
Mobil	\$3,026	\$851	\$2,166	-	-	-	-	-	-	-
NANA	\$255	\$122	\$120	\$220	\$163	\$131	\$221	\$121	\$12	\$455
Oxy	\$2,778	\$1,533	\$2,626	\$4,290	-	-	-	-	-	-
Petrofina	-	\$185	\$616	\$807	\$284	-	-	-	-	-
PetroHunt	\$2,377	\$752	\$1,379	\$228,306	\$211,865	-	-	-	-	\$97
Phillips	-	-	-	-	-	-	-	-	-	-
Phillips Alpine Alaska	-	-	-	-	-	\$13,718	\$19,638	\$10,244	-	-
Pioneer	-\$5	-	-	-	-	-	\$10	-	-	-
Tesoro	\$192,669	\$92,288	\$191	-\$623	\$1,632	\$887	-	-	-	-
Texaco	\$664	\$149	\$398	\$842	\$653	\$270	-	-	-	-
TotalFina ELF	-	-	-	-	-	-	-	-	-	-
Union Texas Petroleum	-	-	\$12	-	-	-	-	-	-	-
Unocal	\$11,463	\$6,013	\$9,078	\$14,851	\$9,868	\$10,858	\$13,265	\$14,250	\$8,962	\$5,897
Williams 1998 Contract	-	\$5,402	\$92,688	\$157,608	\$53,975	\$72,245	\$196,991	\$162,716	-	-
Flint Hills	-	-	-	-	-	-	-	\$641,607	\$1,107,909	\$1,179,502
XTO Energy	-	-	-	-	-	-	-	\$87	\$78	\$205
North Slope TOTAL	\$852,822	\$416,412	\$626,358	\$1,064,162	\$806,721	\$910,151	\$1,144,385	\$1,511,495	\$1,991,222	\$2,046,364

Cook Inlet

Revenues (Thousands of Dollars)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Conoco Phillips AK	-	-	-	-	-	-	\$13	-	-	-
Cross Timbers/XTO	-	-	\$3,073	\$4,647	\$4,338	\$5,428	\$5,103	\$6,406	\$8,710	\$8,695
Devon	-	-	-	-	-	-	\$1	-	-	-
Forcenergy/Forest Oil	\$6,166	\$4,209	\$6,296	\$10,950	\$9,831	\$10,522	\$11,521	\$11,509	\$12,867	\$13,696
Marathon	-\$7	-	-	-	-	-	-	-	-	-
Mobil/Exxon Mobil AK Prod	\$1,882	\$1,094	\$1,165	\$1,824	\$1,525	\$1,348	\$1,692	\$2,068	\$2,511	\$2,253
Shell	\$3,655	\$2,244	-	-	-	-	-	\$5,138	-	-
Stewart	\$1,104	-	-	-	-	-	-	-	-	-
Unocal	\$10,834	\$6,262	\$8,846	\$20,074	\$13,016	\$12,764	\$12,471	\$12,714	\$14,731	\$15,805
Cook Inlet TOTAL	\$23,633	\$13,809	\$19,380	\$37,495	\$28,710	\$30,062	\$30,801	\$37,835	\$38,819	\$40,449

Table IV.4 Recent Royalty Gas Production and Revenues

North Slope, 1997-2006

101111 010	PO, 1001 2					
	Duck Island Unit	Colville River Unit	Kuparuk River Unit	Milne Point Unit	Prudhoe Bay Unit	TOTAL North Slope
Production	(Thousand Cubic	Feet)				
1997	35,605	-	90,487	26,034	1,337,301	1,489,427
1998	36,255	-	79,552	27,156	1,178,761	1,321,724
1999	168,919	-	78,783	27,611	1,092,217	1,367,530
2000	31,785	-	135,929	27,436	1,061,761	1,256,911
2001	30,780	-	98,806	28,978	1,341,442	1,500,006
2002	32,108	-	82,610	29,718	3,711,424	3,855,861
2003	33,192	-	79,039	28,845	5,572,705	5,713,781
2004	29,424	-	76,746	29,639	5,260,659	5,396,467
2005	36,975	-	70,082	29,362	4,872,422	5,008,840
2006	33,750	56,501	56,033	28,612	4,509,689	4,684,585
Revenues	(Thousands of D	ollars)				
1997	\$31	-	\$63	\$28	\$1,155	\$1,278
1998	\$28	-	\$32	\$24	\$950	\$1,033
1999	\$150	-	\$51	\$26	\$938	\$1,165
2000	\$40	-	\$161	\$34	\$1,156	\$1,390
2001	\$33	-	\$119	\$32	\$1,114	\$1,298
2002	\$37	-	\$79	\$34	\$3,592	\$3,742
2003	\$45	-	\$91	\$40	\$6,508	\$6,685
2004	\$57	-	\$123	\$54	\$8,296	\$8,529
2005	\$87	-	\$163	\$72	\$10,801	\$11,123
2006	\$104	\$33	\$154	\$84	\$11,943	\$12,318

Table IV.4 Recent Royalty Gas Production and Revenues

Cook Inlet, 1997-2006

	Beluga River Unit	Cannery Loop Unit	South Granite Point Unit	Granite Point Field	Ivan River Unit	Kenai Unit	Lewis River Unit	Nicolai Creek Unit	Kasilof Unit	North Middle Ground Shoal Unit	North Cook Inlet Unit	Pretty Creek Unit
Production	(Thousand Cu	bic Feet)				·			·	·	*	
1997	2,628,297	186,477	-	141,763	935,228	140,655	7,057	-	-	17,965	6,490,318	53,928
1998	2,508,785	163,775	1,127	162,690	800,046	111,751	11,959	-	-	131,092	6,665,243	61,640
1999	2,704,980	167,759	28,102	67,573	631,597	111,459	29,916	-	-	246,030	6,372,036	3,982
2000	2,913,658	236,492	55,787	73,754	461,437	149,187	16,232	-	-	72,167	6,548,758	-
2001	3,143,083	318,033	5,491	59,671	667,307	234,786	26,852	32,297	-	52,739	6,732,002	11,471
2002	3,313,302	286,118	3,859	34,936	756,028	233,375	111,535	28,957	-	14,404	6,537,260	193,370
2003	4,236,014	395,810	2,042	10,580	432,649	321,372	71,284	9,601	-	11,688	5,773,799	60,292
2004	4,339,085	745,310	169	15,573	289,865	191,573	45,255	29,235	-	-	5,012,401	93,122
2005	4,206,401	767,320	-	5,717	206,552	170,820	39,710	5,369	-	-	5,457,333	57,945
2006	4,167,893	593,894	-	4,374	191,634	136,643	5,227	15,193	107,898	-	4,566,013	1,311
Revenues	(Thousands of	Dollars)										
1997	\$4,598	\$325	-	\$192	\$1,319	\$249	\$10	-	-	\$24	\$12,054	\$76
1998	\$4,265	\$232	\$1	\$221	\$1,071	\$157	\$16	-	-	\$160	\$8,874	\$82
1999	\$3,783	\$272	\$30	\$82	\$758	\$294	\$36	-	-	\$301	\$8,914	\$5
2000	\$4,657	\$483	\$58	\$215	\$5,339	\$298	\$508	-	-	\$808	\$14,058	\$678
2001	\$6,947	\$1,216	\$6	\$82	\$933	\$476	\$38	\$62	-	\$89	\$14,301	\$18
2002	\$7,586	\$748	\$4	\$50	\$1,057	\$454	\$160	\$18	-	\$21	\$12,562	\$276
2003	\$9,479	\$836	\$6	\$179	\$2,904	\$701	\$335	\$17	-	\$60	\$12,159	\$379
2004	\$11,706	\$1,984	\$1	\$44	\$814	\$460	\$126	\$38	-	-	\$11,600	\$263
2005	\$15,257	\$2,837	<1	\$20	\$742	\$534	\$139	\$35	-	-	\$14,987	\$196
2006	\$15,275	\$3,139	-	\$19	\$1,171	\$502	\$18	\$60	\$463	-	\$14,546	\$13

												TOTAL	TOTAL
	Spark Platform	Sterling Unit	North Trading Bay Unit	Stump Lake Unit	Trading Bay Field	Trading Bay Unit	Redoubt Unit	Ninilchik Unit	West Mcarthur River Unit	Deep Creek Unit	Three Mile Creek Unit	Cook Inlet	State
Production				-									
1997	62,872	81	-	30,942	19,031	6,982,452	-	-	-	-	-	17,697,067	19,186,494
1998	85,882	4	-	18,332	-	7,841,950	-	-	-	-	-	18,564,277	19,886,001
1999	28,044	15	-	11,978	-	7,333,019	-	-	-	-	-	17,736,489	19,104,019
2000	-	4,384	18,632	6,839	-	6,802,700	-	-	-	-	-	17,360,027	18,616,938
2001	-	8,820	-	56	-	6,509,275	-	-	-	-	-	17,801,883	19,301,889
2002	-	11,655	-	-	-	5,198,621	-	-	2,655	-	-	16,726,074	20,581,934
2003	-	7,195	11,954	69	-	4,016,601	12,954	287,241	19,673	-	-	15,680,818	21,394,599
2004	-	6,921	2,130	-	-	3,360,804	-	1,094,310	22,119	4,191	-	15,252,063	20,648,530
2005	-	60,491	50,616	-	-	3,155,258	5,299	1,225,767	38,432	54,600	48,533	15,556,163	20,565,004
2006	-	71,748	210	-	-	2,500,006	29,082	1,701,051	58,436	48,568	67,010	14,266,190	18,950,775
Revenues													
1997	\$94	\$0	-	-	\$23	\$10,148	-	-	-	-	-	29,112	\$30,390
1998	\$118	\$8	-	\$0	-	\$10,769	-	-	-	-	-	25,974	\$27,007
1999	\$32	\$0	-	\$13	-	\$8,918	-	-	-	-	-	23,436	\$24,601
2000	-	\$7	\$26	\$1,254	\$2	\$10,743	-	-	-	-	-	39,134	\$40,524
2001	-	\$16	\$6	\$0	-	\$12,636	-	-	-	-	-	36,826	\$38,124
2002	-	\$26	-	-	-	\$9,632	-	-	-	-	-	32,595	\$36,337
2003	-	\$16	\$28	\$5	-	\$14,806	\$16	\$681	-	-	-	42,606	\$49,290
2004	-	\$19	\$5	-	-	\$9,042	-	\$3,165	\$90	\$17	-	39,373	\$47,903
2005	-	\$209	\$161	-	-	\$10,787	\$19	\$4,302	\$117	\$235	\$143	50,721	\$61,844
2006	-	\$337	\$4	-	-	\$10,761	\$128	\$8,014	\$247	\$240	\$221	55,157	\$67,475

Table IV.5 Recent Royalty Gas Production by Lessee

North Slope

Production (Thousand Cubic Feet)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Anadarko	-	-	-	-	-	-	-	-	-	12,430
Arco	400,895	393,981	412,016	-	-	-	-	-	-	-
BP Am Prod. Co	-	-	-	-	-	-	1,852	-	-	-
BPXA	657,646	560,854	627,551	488,604	735,945	3,132,995	4,986,713	4,708,681	4,311,221	4,011,579
Chevron	16,561	5,070	-	-	1	3	2	1	-	-
ConocoPhillips AK	-	-	-	-	-	462,503	462,875	428,672	414,914	432,522
Exxon	284,187	264,969	241,821	-	-	-	-		-	-
ExxonMobil	-	-	-	298,217	293,045	260,295	262,275	259,052	282,640	227,982
Forest Oil	-	-	-	-	3	-	-	-	-	-
Mobil	84,433	78,519	74,713	-	-	-	-	-	-	-
NANA	25,930	-	-	-	-	-	-	-	-	-
Оху	1,988	2,134	2,203	1,997	-	-	-	-	-	-
PetroHunt						-	-	-	-	9
Phillips	17,786	16,197	9,226	468,093	470,986	-	-	-	-	-
Unocal	-	-	-	-	27	65	65	61	66	64
North Slope TOTAL	1,489,427	1,321,724	1,367,530	1,256,911	1,500,007	3,855,861	5,713,781	5,396,467	5,008,841	4,684,586

Cook Inlet

Production (Thousand Cubic Feet)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Arco	812,591	760,156	902,501	-	-	-	-	-	-	-
Aurora Power	-	-	-	-	32,296	28,957	9,601	29,235	39,342	62,100
Chevron	830,436	843,072	1,026,724	1,002,570	1,303,514	1,459,992	1,698,230	1,721,402	1,768,844	1,194,777
ConocoPhillips AK	-	-	-	-	-	1,287,322	1,950,417	1,982,764	1,808,634	1,545,363
Conoco Phillips Co.	-	-	-	-	-	-	5,773,799	5,012,401	5,457,333	4,566,013
Forest Oil	-	-	-	-	-	2,655	32,627	22,119	58,291	107,621
Marathon	3,995,784	4,062,765	4,347,695	4,358,280	4,234,315	3,281,087	3,182,443	3,425,973	3,568,563	3,376,350
ExxonMobil	50,177	55,372	21,509	52,341	4,118	2,895	1,532	-	-	-
Anchorage M, L & P	-	905,557	775,755	677,169	617,794	565,987	587,367	634,919	628,924	1,427,753
Phillips	6,490,318	6,665,243	6,372,036	7,782,678	7,953,777	6,537,260	-	-	-	-
Shell	985,270	-	-	-	-					
Unocal	4,532,490	5,272,111	4,290,269	3,486,988	3,656,068	3,559,919	2,444,802	2,423,250	2,226,234	1,986,214
Cook Inlet TOTAL	17,697,067	18,564,277	17,736,489	17,360,026	17,801,882	16,726,074	15,680,818	15,252,063	15,556,164	14,266,190

Table IV.6 Recent Royalty Gas Revenues by Lessee

North Slope

Revenue (Thousands of Dollars)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Anadarko	-	-	-	-	-	=	-	-	-	\$7
Arco	\$325	\$297	\$344	-	-	-	-	-	-	-
BP Am Prod. Co	-	-	-	-	-	-	\$3	-	-	-
BPXA	\$543	\$451	\$540	\$539	\$593	\$3,054	\$5,844	\$7,527	\$9,750	\$10,835
Chevron	\$33	\$7	-	-	<1	<1	<1	<1	-	-
ConocoPhillips AK	-	-	-	-	-	\$446	\$538	\$643	\$865	\$983
Exxon	\$207	\$183	\$185	-	-	-	-	-	-	-
ExxonMobil	-	-	-	\$318	\$265	\$242	\$300	\$360	\$508	\$493
Forest Oil	-	-	-	-	-	-	-	-	-	-
Mobil	\$128	\$80	\$87	-	-	-	-	-	-	-
NANA	\$23	-	-	-	-	-	-	-	-	-
Oxy	\$2	\$2	\$2	\$2	-	-	-	-	-	-
PetroHunt										<1
Phillips	\$15	\$13	\$7	\$531	\$440	-	-	-	-	-
Unocal	-	-	-	-	-	-	<1	<1	<1	<1
North Slope TOTAL	\$1,278	\$1,033	\$1,165	\$1,390	\$1,298	\$3,742	\$6,685	\$8,529	\$11,123	\$12,318

Cook Inlet

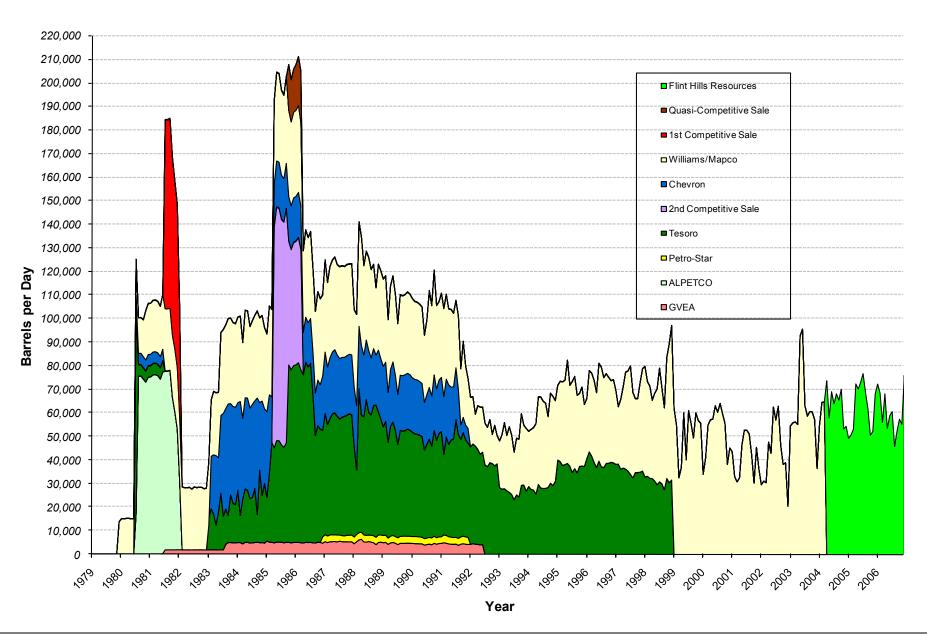
Revenue (Thousands of Dollars)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Arco	\$1,411	\$1,262	\$1,170	-	-	-	-	-	-	-
Aurora Power	-	-	-	-	\$62	\$18	\$17	\$38	\$135	\$222
Chevron	\$1,551	\$1,560	\$1,605	\$1,698	\$3,136	\$3,740	\$4,373	\$5,020	\$6,293	\$5,516
ConocoPhillips AK	-	-	-	-	-	\$2,530	\$3,747	\$4,562	\$6,766	\$6,491
Conoco Phillips Co.			-	-	-	-	\$12,159	\$11,600	\$14,987	\$14,546
Forest Oil	-	-	-	-	-	-	\$16	\$90	\$179	\$433
Marathon	\$6,061	\$5,737	\$5,557	\$6,795	\$10,429	\$7,433	\$6,777	\$8,761	\$12,113	\$14,982
ExxonMobil	\$47	\$55	\$22	-\$0	\$4	\$3	\$2	\$0	-	-
Anchorage M, L & F	-	\$1,443	\$1,008	\$1,082	\$1,416	\$1,316	\$1,358	\$2,022	\$2,198	\$3,268
Phillips	\$12,054	\$8,874	\$8,914	\$15,934	\$16,697	\$12,562	-	-	-	-
Shell	\$1,636	-	-	-	-	-	-	\$103	-	
Unocal	\$6,351	\$7,035	\$5,161	\$13,624	\$5,083	\$4,993	\$14,157	\$7,178	\$8,050	\$9,699
Cook Inlet TOTAL	\$29,112	\$25,966	\$23,436	\$39,134	\$36,826	\$32,595	\$42,606	\$39,373	\$50,721	\$55,157

Table IV.7 North Slope Royalty in-Kind Sales

1979-2006 (Barrels per Year)

	Alpetco	Chevron	Milliams (Mapco)	Flint Hills Resources, (FHR)	Golden Valley Elec Assoc	Tesoro	Petro Star	1st Comp Sale	2nd Comp Sale	Quasi- Comp Sale	ANS TOTAL RIK	ANS TOTAL RIV	ANS TOTAL RIK + RIV
1979	-	-	446,996		-	-	-	-	-	-	446,996	10,584,481	11,031,477
1980	12,020,950	882,414	5,976,024		-	3,427,388	-	-	-	-	22,306,777	47,047,583	69,354,360
1981	26,046,878	859,928	8,808,400		398,051	1,661,385	-	14,046,953	-	-	51,821,595	17,666,128	69,487,723
1982	898,714	-	9,632,099		764,762	36,841	-	1,432,108	-	-	12,764,524	61,136,212	73,900,736
1983	-	11,674,998	11,723,755		1,208,406	5,793,973	-	-	-	-	30,401,132	44,599,235	75,000,367
1984	-	14,053,279	13,093,397		1,870,505	7,531,155	-	-	-	-	36,548,337	39,396,031	75,944,369
1985	-	7,804,392	13,260,754		1,928,544	17,218,912	-	-	22,511,409	1,716,754	64,440,764	16,633,246	81,074,010
1986	-	6,934,482	13,168,483		1,881,232	23,538,192	52,667	-	4,686,801	1,862,051	52,123,907	30,262,661	82,386,568
1987	-	9,330,563	14,094,537		2,013,539	18,404,806	539,575	-	-	-	44,383,020	43,899,311	88,282,331
1988	-	9,315,264	13,814,522		1,981,998	18,307,014	590,832	-	-	-	44,009,630	44,068,971	88,078,602
1989	-	8,611,606	12,529,175		1,784,782	16,387,093	607,468	-	-	-	39,920,122	40,833,646	80,753,768
1990	-	8,099,292	12,735,412		1,670,494	15,368,565	621,220	-	-	-	38,494,983	37,242,490	75,737,473
1991	-	6,290,546	11,183,462		1,670,699	15,336,301	618,247	-	-	-	35,099,255	42,537,362	77,636,617
1992	-	-	6,285,005		803,407	14,412,460	-	-	-	-	21,500,871	52,754,222	73,680,092
1993	-	-	9,086,280		-	9,812,084	-	-	-	-	18,898,364	49,269,042	68,294,256
1994	-	-	11,986,495		-	10,452,726	-	-	-	-	22,439,221	50,657,903	73,097,124
1995	-	-	12,680,470		-	13,703,946	-	-	-	-	26,384,415	43,664,553	70,048,968
1996	-	-	13,027,646		-	14,345,621	-	-	-	-	27,373,267	39,396,515	66,769,782
1997	-	-	13,117,502		-	13,021,628	-	-	-	-	26,139,130	35,359,848	61,498,978
1998	-	-	16,483,695		-	11,497,629	-	-	-	-	27,981,324	28,316,894	56,298,218
1999	-	-	19,070,664		-	-	-	-	-	-	19,070,664	31,473,201	50,543,865
2000	-	-	19,290,298		-	-	-	-	-	-	19,290,298	27,849,804	47,140,102
2001	-	-	15,187,012		-	-	-	-	-	-	15,187,012	30,207,251	45,394,263
2002	-	-	15,509,592		-	-	-	-	-	-	15,509,592	32,287,247	47,796,839
2003	-	-	22,749,221		-	-	-	-	-	-	22,749,221	25,336,333	48,085,554
2004	-	-	5,582,299	17,635,994	-	-	-	-	-	-	23,218,293	22,260,150	45,478,443
2005	-	-	-	22,796,740	-	-	-	-	-	-	22,796,740	19,552,414	42,349,154
2006	-	-	-	22,180,915	-	-	-	-	-	-	22,180,915	13,269,288	35,450,203
	38,966,543	83,856,765	320,523,194	62,613,649	17,976,419	230,257,719	3.030.009	15.479.061	27.198.210	3,578,804	803,480,372	977,562,023	1,780,594,243



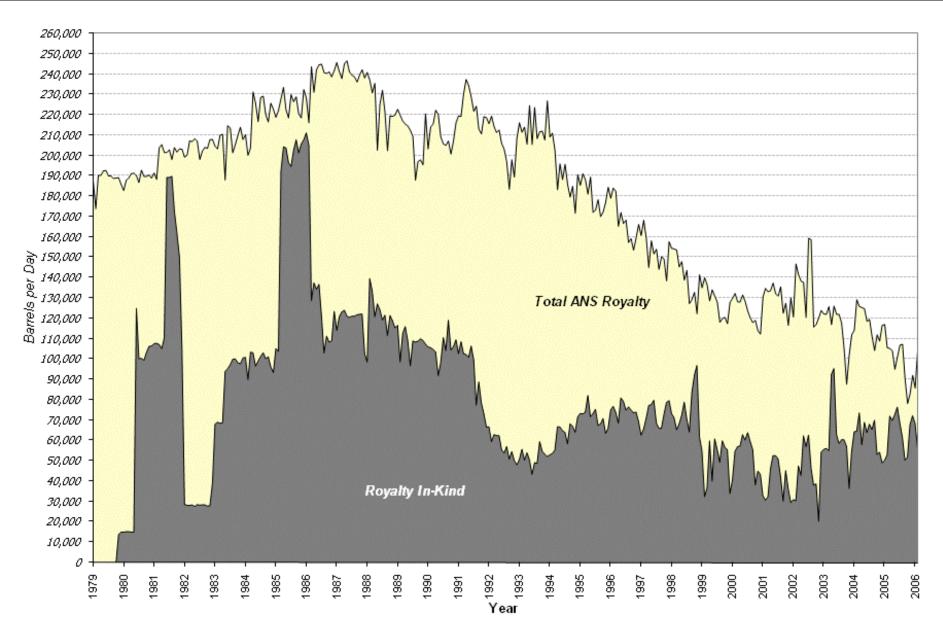


Table IV.8 Cook Inlet and Statewide Royalty in-Kind Sales

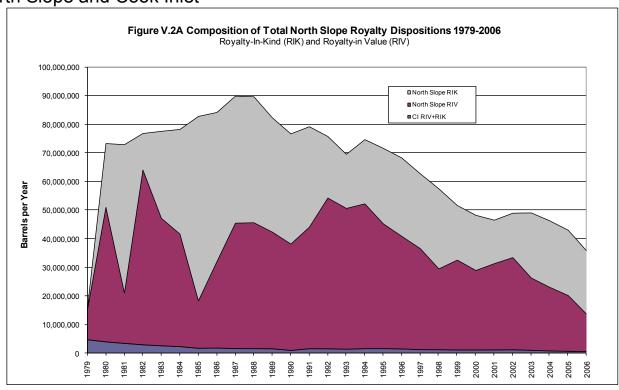
1979-2006 (Barrels per Year)

						ATEWIDE						
	Tesoro ¹	Chinese Petroleum ²	Cook Inlet RIK	Cook Inlet RIV	Cook Inlet Total Royalty Volume	ALASKA RIK	ALASKA RIV	ALASKA Total Royalty Volume				
1979	4,849,631	-	4,849,631	-	4,849,631	5,296,627	10,584,481	15,881,10				
1980	4,094,229	-	4,094,229	-	4,094,229	26,401,006	47,047,583	73,448,58				
1981	3,560,736	-	3,560,736	-	3,560,736	55,382,331	17,666,128	73,048,45				
1982	3,065,159	-	3,065,159	-	3,065,159	15,829,683	61,136,212	76,965,89				
1983	2,719,044	-	2,719,044	-	2,719,044	33,120,176	44,599,235	77,719,41				
1984	2,431,987	-	2,431,987	-	2,431,987	38,980,324	39,396,031	78,376,35				
1985	1,382,740	-	1,382,740	462,245	1,844,985	65,823,504	17,095,491	82,918,99				
1986	-	-	-	1,922,101	1,922,101	52,123,907	32,184,762	84,308,66				
1987	-	615,305	615,305	1,113,805	1,729,110	44,998,325	45,013,116	90,011,44				
1988	-	799,938	799,938	917,208	1,717,146	44,809,569	44,986,179	89,795,74				
1989	-	1,274,479	1,274,479	392,313	1,666,792	41,194,601	41,225,959	82,420,56				
1990	-	566,825	566,825	522,456	1,089,282	39,061,808	37,764,947	76,826,75				
1991	-	330,540	330,540	1,357,687	1,688,227	35,429,795	43,895,049	79,324,84				
1992	-	-	-	1,661,526	1,661,526	21,500,871	54,415,748	75,916,62				
1993	-	-	-	1,514,651	1,514,651	18,898,364	50,783,693	69,682,05				
1994	-	-	-	1,717,758	1,717,758	22,439,221	52,375,662	74,814,88				
1995	-	-	-	1,718,805	1,718,805	26,384,415	45,383,358	71,767,77				
1996	-	-	-	1,618,157	1,618,157	27,373,267	41,014,672	68,387,94				
1997	-	-	-	1,369,478	1,369,478	26,139,130	36,729,326	62,868,45				
1998	-	-	-	1,335,030	1,335,030	27,981,324	29,651,924	57,633,24				
1999	-	-	-	1,252,231	1,252,231	19,070,664	32,725,432	51,796,09				
2000	-	-	-	1,248,564	1,248,564	19,290,298	29,098,368	48,388,66				
2001	-	-	-	1,273,518	1,273,518	15,187,012	31,480,769	46,667,78				
2002	-	-	-	1,320,281	1,320,281	15,509,592	33,607,528	49,117,12				
2003	-	-	-	1,127,749	1,127,749	22,749,221	26,464,082	49,213,30				
2004	-	-	-	920,535	920,535	23,218,293	23,180,685	46,398,97				
2005	-	-	-	779,749	779,749	22,796,740	20,332,163	43,128,90				
2006	-	-	-	669,212	669,212	22,180,915	13,938,500	36,119,41				
	22,103,526	3,587,088	25,690,614	26,215,059	51,905,672	829,170,986	1,003,777,082	1,832,948,06				

Notes:

¹ East and west side

North Slope and Cook Inlet



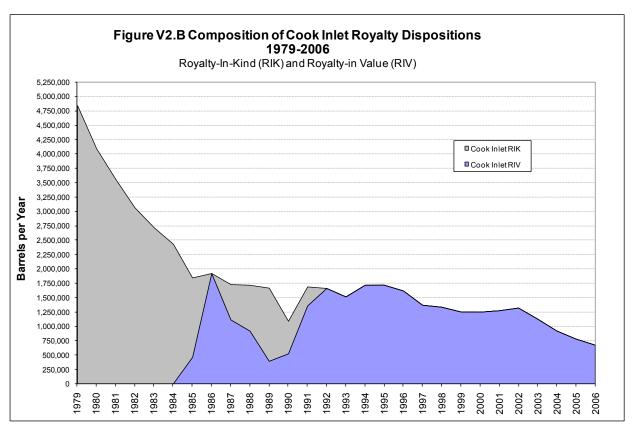


Figure IV.3 Major North Slope Royalty in-Kind Sales Contracts

